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**UNITED STATES TRADE REPRESENTATIVE CHARLENE BARSHEFSKY
SIGNS AGREEMENT WITH BRAZIL ON AUTOS**

United States Trade Representative Charlene Barshefsky announced today that the United States and Brazil have reached an agreement that settles a long-standing trade dispute concerning automobiles. Under the agreement, Brazil has agreed to accelerate plans to terminate a program that currently benefits auto manufacturers in Brazil through trade-distorting investment requirements. The Brazilian auto regime was the subject of a complaint filed by the United States with the World Trade Organization, and consultations during the past year culminated in the agreement signed today in Washington by Ambassador Barshefsky and Brazilian Foreign Minister Luiz Felipe Lampreia.

“This agreement sends a message to our trading partners that we will challenge unfair foreign measures that distort trade and investment decisions,” said Ambassador Barshefsky. “I am pleased that the Government of Brazil is prepared to accelerate the termination of its automotive regime, and to commit not to extend the regime’s requirements to its regional partners. I also am pleased that Brazil and the United States have been able to resolve our differences through negotiation.”

Brazil’s auto regime, announced in December 1995, offers auto manufacturers reduced duties on imports of assembled cars and other benefits if they satisfy certain requirements to use Brazilian parts and to export finished autos. The program was structured so as to increase Brazilian production, employment and exports of autos and auto parts at the expense of production and employment in the United States and other countries. The U.S. WTO complaint alleged that the Brazilian auto regime violates Brazil’s WTO commitments, particularly under the Agreement on Trade Related Investment Measures (TRIMS).

The Brazilian Government has now committed to eliminate the trade and investment distorting

measures in its auto regime and not to extend these measures to its MERCOSUR partners when their auto regimes are unified in 2000. In addition, the Government of Brazil will accelerate the deadline for new applications under the regime (moving up the deadline for auto assemblers by eighteen months to June 30, 1998 and for parts manufacturers by one year to December 31, 1998).

USTR will terminate an investigation it initiated on this matter in October 1996 under Section 301 of the Trade Act of 1974, and will closely monitor Brazil's implementation of the settlement agreement.